



**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE  
STATE OF CALIFORNIA**

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Order Instituting Rulemaking to Implement )  
the Commission's Procurement Incentive )  
Framework and to Examine the Integration of )  
Greenhouse Gas Emissions Standards into )  
Procurement Policies. )

R.06-04-009  
(Filed April 13, 2006)

**PRE-HEARING CONFERENCE COMMENTS  
OF MORGAN STANLEY CAPITAL GROUP INC.**

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November 15, 2006

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Order Instituting Rulemaking to Implement     )  
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In accordance with the Rules of Practice and Procedure of the California Public Utilities Commission (the "Commission") and the Joint Administrative Law Judges' Ruling and Notice of Prehearing Conference ("Joint ALJ Ruling"), issued on November 1, 2006, Morgan Stanley Capital Group Inc. ("MSCG") respectfully submits these pre-hearing conference comments in response to the questions presented in the Joint ALJ Ruling.

First, the Joint ALJ Ruling asked parties to identify the issues each party intended to address during the course of the proceedings and identify how those issues fit into the programmatic elements outlined in the Joint ALJ Ruling.<sup>1</sup> MSCG identifies the following issues it intends to raise during the course of the proceedings: (1) how contracts that are not tied to a specific source will be treated in the registration process, and (2) how the program developed during the course of these proceedings will coordinate with the implementation of AB 32, recently enacted by the State of California.<sup>2</sup> Although MSCG does not at this time make any recommendations as to how these issues should be treated, nor is it clear how these issues may

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<sup>1</sup> Joint Administrative Law Judges' Ruling and Notice of Prehearing Conference, *Order Instituting Rulemaking to Implement the Commission's Procurement Incentive Framework and to Examine the Integration of Greenhouse Gas Emissions Standards into Procurement Policies* (R.06-04-009) (issued Nov. 1, 2006).

<sup>2</sup> *The California Global Solutions Warming Act of 2006*, AB 32 (signed on Sept. 27, 2006).

be categorized into the programmatic elements, MSCG informs the Commission that it intends to fully participate in those programmatic elements that address these issues.

While MSCG does not take a substantive position on either of these issues at this time, MSCG encourages the Commission to consider various proposals in developing the reporting requirements for those contracts that are not unit-specific. MSCG recognizes that in Decision 06-02-032<sup>3</sup> the Commission stated that it would be inclined to adopt a default coal profile for those types of contracts, but also notes that the Commission stated that it would not rule out considering a proxy emissions factor for these contracts. MSCG encourages the Commission to be open to all types of proposals to address this issue.

Finally, on a procedural matter, MSCG agrees with the Draft Schedule for Phase 2 included in the Joint ALJ Ruling, and urges the Commission to continue to consider these issues in written pleadings, on the record, but to refrain from establishing evidentiary hearing procedures at this point. MSCG believes that these issues can be fully vetted through technical conferences, workshops, and working-group written proposals addressing the programmatic elements. MSCG believes that proceeding in this non-adversarial format will allow a more open and free exchange of proposals that will effectively inform the final rule.

In conclusion, MSCG states that it will participate in these proceedings to address the issues of how contracts that are not unit-specific will be treated and how the program developed in this proceeding will coordinate with the implementation of the program established in AB 32.

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<sup>3</sup> Opinion on Procurement Incentives Framework, *Order Instituting Rulemaking to Promote Policy and Program Coordination and Integration in Electric Utility Resource Planning*, (D.06-02-032) (issued Feb. 16, 2006).

Respectfully submitted,

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November 15, 2006

## CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of “Response of Morgan Stanley Capital Group Inc. to Southern California Edison’s Petition for Modification of Decision 06-07-029” by transmitting an e-mail message with the document attached to all parties of record in R.06-02-013.

Dated at Washington, D.C., this 15th day of November, 2006.

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/s/

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### **Via E-Mail and US Mail**

Charlotte F. TerKeurst, Administrative Law Judge  
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